



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 21, 2007

H.R. 4343 **Fair Treatment for Experienced Pilots Act**

*As cleared by the Congress on December 12, 2007,
and signed by the President on December 13, 2007*

SUMMARY

H.R. 4343 (enacted as Public Law 110-135) raises the mandatory retirement age for commercial pilots from 60 to 65, to be effective no later than 30 days after enactment. That change allows pilots to continue flying for up to five additional years, which in some cases will delay the date of their retirement and enable them to accrue higher pension benefits or receive higher guaranteed pension insurance payments from the Pension Benefit Guaranty Corporation (PBGC).

CBO estimates that the change will reduce direct spending by \$9 million in 2008 and \$56 million over the 2008-2017 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4343 is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

	By Fiscal Year, in Millions of Dollars										2008-	2008-
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2012	2017
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-9	-17	-14	-9	-8	-3	1	1	1	1	-57	-56

BASIS OF ESTIMATE

Under regulations issued in 1959, the Federal Aviation Administration (FAA) has required that commercial airline pilots retire from service when they reached age 60. As a result, pilots frequently began to receive their pension benefits at age 60. For pilots participating in pension plans that have been terminated by the PBGC, that age requirement means that many pilots will receive lower benefits. PBGC's maximum guaranteed benefit for participants who retire at age 60 is about 30 percent less than for age 65.

In January 2007, the FAA announced that it was initiating the rulemaking process to raise the mandatory retirement age to 65, which the agency indicated would likely take up to 24 months. Public Law 110-135 raises the mandatory retirement age for pilots to age 65, effective within 30 days after enactment, effectively accelerating the implementation of the planned change in retirement age by about one year.

Based on data provided by the PBGC, CBO anticipates that about 600 pilots participating in terminated pension plans would turn 60 in fiscal year 2008. Under Public Law 110-135, CBO expects that those pilots will continue to fly for up to five more years, and retire at ages similar to other workers under Social Security. (That is, about one-third would begin collecting pension benefits at age 62, about one-half at age 65, and the remainder in-between those ages.) The postponed retirements will reduce PBGC outlays—net of reimbursements from the pension plans—by \$9 million in 2008 and \$56 million over the 2008-2017 period.

PREVIOUS CBO ESTIMATE

On July 17, 2007, CBO transmitted a cost estimate for S. 1300, the Aviation Investment and Modernization Act of 2007, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 16, 2007. H.R. 4343 is similar to section 706 of S. 1300, and the estimated savings are identical in the two estimates.

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